



# FARMERS & MERCHANTS BANK

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D. P. Brown

September 14, 2005

Honorable Donald E. Powell  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

Mr. John F. Carter  
Regional Director  
Federal Deposit Insurance Corporation  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

2005 SEP 19 AM 10 38

Re: Comments Regarding FDIC Application #20051977: Wal-Mart Application  
for Insurance and Industrial Bank Charter

Dear Chairman Powell and Director Carter:

Farmers & Merchants Bank expresses its opposition to Wal-Mart Stores, Inc.  
application for a Utah Industrial Bank or Industrial Loan Company Charter (ILC)  
and Federal Deposit Insurance Coverage.

While Wal-Mart states that the ILC would only be used to process debit and  
credit transactions at its 3,700 plus stores, the ILC could introduce a future  
amendment to provide other banking services such as, retail banking services,  
loans, and Wal-Mart bank branches. The potential of a retail giant like Wal-Mart  
entering the banking business violates the restriction of mixing commerce and  
banking. We oppose a commercial firms' ability to start or purchase an Industrial  
Loan Company.

Wal-Mart has a history of attempting to enter the banking industry. This is  
despite of existing regulatory restrictions preventing the mixing of banking and  
commerce. Congress took action as a result of Wal-Mart's efforts to purchase a  
small thrift institution in Broken Arrow, Oklahoma in 1998. The Gramm-Leach-  
Bliley Act of 1999 closed the unitary thrift holding company loophole and prohibits  
commercial firms from owning or acquiring savings associations as likewise they  
are prohibited from owning banks. In 2002, Wal-Mart again attempted to enter  
the banking industry by seeking to purchase a small California Industrial Bank.

The California legislature stopped the purchase by passing a law disallowing commercial firms from owning ILCs.

Locally owned retailers in small towns and communities across America are many times negatively impacted when Wal-Mart stores enter their market area. With its history of de-stabilizing local retailers, Wal-Mart banking institutions could drive out community banks the same way that it has driven out community grocery stores, pharmacies, and hardware stores.

As advocates for the American consumer, we believe that customers would be adversely affected by a Wal-Mart Bank. Customers would be evaluated only on their credit scores, and the local bank-customer relationship would be non-existent. Consumer choices would be limited. More importantly, bank deposits could be directed out of the community, negatively affecting local lending policies and community support projects.

Farmers & Merchants Bank requests the FDIC to hold regional public hearings to examine this issue. It is critical that other viewpoints be heard including those from banking trade associations and the general public.

In conclusion, the Farmers & Merchants Bank opposes Wal-Mart's application for an ILC and federal deposit insurance coverage. We urge the FDIC to deny the application.

Sincerely,

A handwritten signature in black ink, appearing to read "Raymond E. Shambrock", is written over a large, stylized circular mark.

Raymond E. Shambrock  
Chairman & CEO